

**EXHIBIT J**

**(Restructuring Proposal)**



## GOVERNMENT OF PUERTO RICO

Puerto Rico Fiscal Agency and Financial  
Advisory Authority

### Municipal Secondary Market Disclosure Information Cover Sheet Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access System (EMMA)

#### Additional / Voluntary Event-Based Disclosure

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**THIS FILING RELATES TO ALL OR SEVERAL SECURITIES ISSUED BY THE ISSUER, OR ALL OR SEVERAL SECURITIES OF A SPECIFIC CREDITOR:**

Issuer's Name: THE COMMONWEALTH OF PUERTO RICO

Other Obligated Person's Name (if any): \_\_\_\_\_

Six-digit CUSIP number(s): 745145 and 74514L

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**TYPE OF INFORMATION PROVIDED:**

- A.  Amendment to Continuing Disclosure Undertaking
- B.  Change in Obligated Person
- C.  Notice to Investor Pursuant to Bond Documents
- D.  Communication from the Internal Revenue Service
- E.  Bid for Auction Rate and Other Securities
- F.  Capital or Other Financing Plan
- G.  Litigation / Enforcement Action
- H.  Change of Tender Agent. Remarketing Agent or Other On-going Party
- I.  Derivative or Other Similar Transaction
- J.  Other Event-Based Disclosures: Government of Puerto Rico proposal under Title VI of PROMESA

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I represent that I am authorized by the issuer, obligor or its agent to distribute this information publicly.

/s/ Sebastián M. Torres Rodríguez

Sebastián M. Torres Rodríguez

Puerto Rico Fiscal Agency and Financial Advisory Authority,  
as Fiscal Agent for the Commonwealth

Dated: April 28, 2017



**GOVERNMENT OF PUERTO RICO**  
Puerto Rico Fiscal Agency and Financial  
Advisory Authority



**CONFIDENTIAL**

**ADVISORS EYES ONLY SUBJECT TO NDA**

**PREPARED AT REQUEST OF COUNSEL FOR SETTLEMENT PURPOSES - FRE 408**



**GO / COFINA**

**Project Estado**

April 24, 2017

**Strictly confidential**

# Proposal

1

**The Cash Flow Available for Debt Service in the certified Fiscal Plan shall form the basis of a comprehensive settlement**

2

**To attract maximum consensus, Puerto Rico will issue three types of settlement currency:**

**Senior Bonds**

- Up to \$16.75 billion
- Constitution priority debt
- Tax-exempt<sup>1</sup>
- Capable of attracting a rating

**Cash Flow Bonds**

- Turbo structure and designed to be tradeable
  - Senior Tranche: Up to \$8.0 billion
  - Junior Tranche: Up to \$2.0 billion
- Senior Tranche possibly tax-exempt; Junior Tranche likely taxable
- Payment only upon performance in excess of certified Fiscal Plan
- Intended to capture favorable variances from Fiscal Plan, including from outperformance of macroeconomic assumptions and results of fiscal measures

**Short Term Notes**

- Consideration from the sale of assets in COFINA reserve accounts to Puerto Rico

3

**GO Bonds and GO Guaranteed claims will receive pro rata distribution of [\$9.8bn] of Senior Bonds**

4

**COFINA creditors will receive a choice of treatment:**

- If they consent to the plan of adjustment, COFINA creditors will receive pro rata share of [\$6.9bn] of Senior Bonds
  - COFINA Senior and COFINA Junior claims to be treated pari passu
- If they reject the plan of adjustment, COFINA Senior creditors will receive [\$450m] of short-term notes and COFINA Junior creditors will receive no distribution due to contractual subordination

5

**Senior Cash Flow Bonds distributed pro rata to GO Bonds, GO Guaranteed claims and COFINA claims (if accepting the plan) on account of any allowed deficiency claims**

6

**Junior Cash Flow Bonds distributed pro rata to Claw Back Entity creditors**

7

**Convenience class established to provide 100% recovery to creditors with total claims below a minimum threshold TBD**

**Note**

1 A portion of Senior Bonds may be taxable. Final allocations TBD



# Illustrative creditor treatment

## Illustrative creditor treatment (\$m)

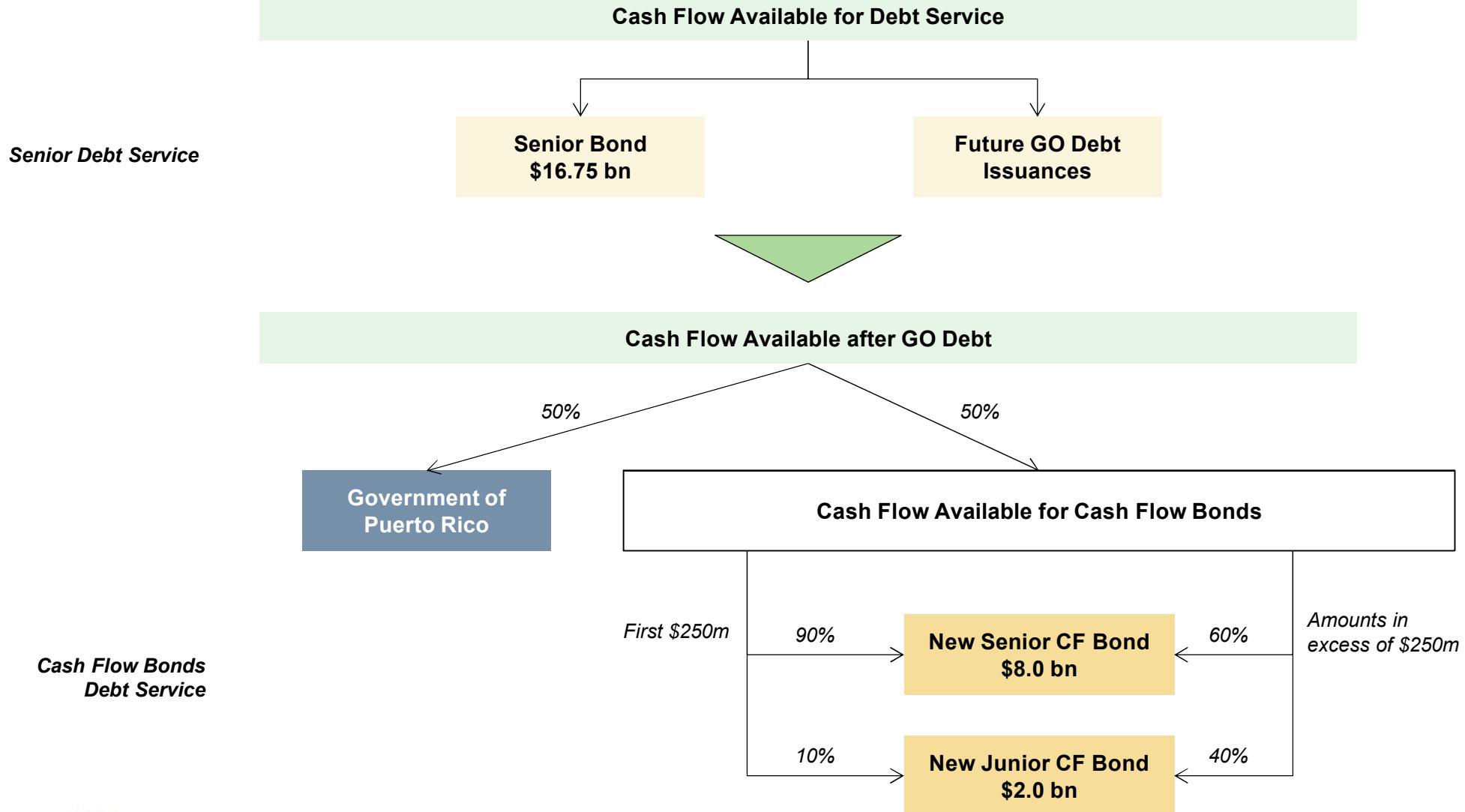
	Proposed Treatment			
	Illustr. Claim	Cash Flow Bond		
		Senior Bond	Senior Tranche	Junior Tranche
<b>GO + COFINA</b>				
GO Bonds	\$13,243	\$6,935	\$3,312	--
GO Guarantee	5,559	2,911	1,390	--
<b>Subtotal</b>	<b>18,802</b>	<b>9,846</b>	<b>4,702</b>	--
COFINA - Sr	7,666	3,011	1,438	--
COFINA - Jr	9,914	3,894	1,860	--
<b>Total COFINA</b>	<b>17,580</b>	<b>6,904</b>	<b>3,298</b>	--
Convenience Class	[ ]	[ ]	--	--
<b>Total GO + COFINA</b>	<b>36,382</b>	<b>16,750</b>	<b>8,000</b>	--
<b>Claw Back Entities</b>				
HTA	4,124	--	--	1,223
PRCCDA	386	--	--	115
PRIFA	2,207	--	--	654
MBA	28	--	--	8
<b>Total</b>	<b>6,746</b>	<b>--</b>	<b>--</b>	<b>2,000</b>
<b>Overall Total</b>	<b>\$43,128</b>	<b>\$16,750</b>	<b>\$8,000</b>	<b>\$2,000</b>

COFINA claims offered choice of:

- Short-term notes for amount in the COFINA Pledge Account, or
- Pro rata Senior Bond & Senior Cash Flow Bond subject to 25% discount



## Illustrative flow of funds



# Term Sheet: New Senior Bond

## Security

- Senior Bond with constitutional priority
  - Classified as Tax Exempt debt

## Allocation

- Pro rata to allowed claims:
  - General Obligation Bonds
  - COFINA Bonds
  - GO Guarantee claims <sup>(1)</sup>

## Amount

- \$16.75 billion initial principal amount

## Coupon Rate

- Step coupon for 5 years reaching 4.50% at year 5
  - Payable semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup>

## Maturity

- 30 year term with final maturity on July 1, 2047
- No call for 10 years; callable at par thereafter

## Amortization

- Annual principal amortization payable on July 1<sup>st</sup> subject to schedule
  - First amortization payment July 1, 2028 (1% of par)
  - Optional amortization (at issuer's discretion) sized based on Fiscal Plan forecast

## Notes

(1) Allocation on account of GO Guarantee claims limited to deficiency claims after creditor recovery at issuer entity

# Term Sheet: Senior Cash Flow Bond

## Security

- Senior Cash Flow Bonds
  - Structured as Turbo Capital Appreciation Bond with 5.00% Accrual Rate
  - Subordinated in right of payment to the New Senior Bond
  - Provisions for new debt issuance

## Allocation

- Senior Tranche issued to holders of allowed GO / COFINA claims on account of deficiency

## Amount

- \$8.0 billion

## Debt Service

- Annual partial redemption of Accreted Value based on Flow of Funds described below <sup>(1)</sup>

## Flow of Funds

- For each fiscal year, all revenues available after (1) payment of GO Debt and (2) Government Expenditures will be allocated:
  - 50% for debt service to the Cash Flow Bonds
  - 50% to be retained by the Government for the General Fund
- Waterfall payments for Cash Flow debt service:
  - First \$250 million to be split 90% to the Senior CF Bond; 10% to the Junior CF Bond
  - Any amounts in excess of \$250 million to be split 60% to the Senior CF Bond; 40% to the Junior CF Bond

## Mandatory Prepayment

- Mandatory prepayment from 10% of the proceeds of any new GO debt issuance
  - Split 75% / 25% between the Senior and Junior tranches respectively

## Maturity

- Any remaining CF Bond balances automatically forgiven on the 40 year anniversary of issuance
- Callable at the accreted value after 5 year anniversary

# Term Sheet: Junior Cash Flow Bond

## Security

- Junior Cash Flow Bonds
  - Structured as Turbo Capital Appreciation Bond with 5.50% Accrual Rate
  - Subordinated to the New GO Bond and the Senior Cash Flow Bond
  - Provisions for new debt issuance

## Allocation

- Junior tranche issued on account of allowed claims for the following entities:
  - HTA
  - PRIFA
  - PRCCDA
  - MBA

## Amount

- \$2.0 billion

## Debt Service

- Annual partial redemption of Accreted Value based on Flow of Funds as described in Senior Cash Flow Bond including waterfall provisions

## Mandatory Prepayment

- Mandatory prepayment from 10% of the proceeds of any new GO debt issuance
  - Split 75% / 25% between the Senior and Junior tranches respectively

## Maturity

- Any remaining CF Bond balances automatically forgiven on the 40 year anniversary of issuance
- Callable after 10 year anniversary at premium TBD